



Anchor Small Cap Value and SMID Cap Value 3Q 2012 Investment Review

For the third quarter of 2012, Anchor's Small Cap Value Composite returned +4.15% and the Small Mid Value Composite returned +5.14%. This compared with +5.67%, +5.25% for the Russell 2000 Value and the Russell 2000 respectively; and +5.85% for the Russell 2500 Value.

The third quarter saw a rebound from recessionary levels in U.S. markets given that corporate earnings remained robust and corporate liquidity remained historically high. The backdrop of continued historically low interest rates reinforced most recently by QE3 and seemingly limitless injections of liquidity by ours, and other central banks, is demonstrating the determination by central banks to reflate asset values, including financial assets, via monetary stimulus. With Europe in recession and China experiencing slowing growth, the U.S. continued in the role of both safe haven and relatively favored locality for equity exposure. Capital within corporations and parts of U.S. banks remains on strike pending more clarity on U.S. corporate tax rates, action steps in Congress regarding the fiscal cliff, and the reluctance of corporate decision makers to expand and invest without clear knowledge of fully loaded unit labor costs, reflecting the potential full implementation of ObamaCare.

The strongest performing market sectors this quarter were Industrials, Energy, Consumer Discretionary, Health Care, and Financials in decreasing order of magnitude. In the context of a strong snapback in stocks this summer, we were well diversified and did not lag in relative contribution more than 50 basis points in any single industry group. Among small banks where we are over-weighted, the relative contribution was +64 basis points versus the benchmarks in the case of Small Value, and +91 basis points versus the Russell 2500 Value in the Smid portfolios. Our attribution analysis indicates the breadth of the rally was significant, so the quarterly comparisons to benchmarks for just the quarter are somewhat noisy. Our positions are more rooted in company specific factors which we feel will be reflected more fully over a longer time horizon. That said, the portfolios tracked reasonably well with the broad rally in small and small-mid value sectors this quarter.

Largest contributors this quarter were Incontact, a cloud based software company enabling virtual call centers by callers from home; Exterran Holdings, a natural gas drilling compression company; Skywest, a regional feeder airline; Bank of Marin Bancorp; and Bank of the Ozarks. Detractors by weight were Hub Group, an asset light provider of shipping capacity; Esterline Technologies, a military and commercial avionics manufacturer; Woodward, an aerospace and wind power systems provider, Fairchild Semiconductor, Seacor Holdings, a diversified ancillary energy service company, and Towers Watson, a human resources and managerial consultancy.

We continue to be moderately over-weighted in small banks as middle market lending has recovered, soon to be followed by small business, once tax policy and health care unit cost issues become less uncertain for them to grow. Also, the continuing stabilization of housing should help the 1 - 4 family mortgage origination units of those banks. Within the financial sector, we are under-weighted in REITs



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as their Net Asset Values appear rich, and underlying cap rates do not exceed their yields without having to add leverage. We are staying with companies whose growth we know to be self sustaining from internal funds. We are also over-weight the information technology sector, emphasizing companies that offer high ROI solutions to corporate decision makers. We continue to find value in industrial companies both backwardly integrated as well as downstream at the distribution level. We are moderately underweighted in Consumer Discretionary stocks which were strong in the rally this summer but are given to variability from consumer sentiment and less clarity for repeatable success.

We entered the fourth quarter fully invested and well diversified, in order to minimize company specific exposure as much as possible. That said, we believe our companies are well situated to generate favorable returns to shareholders as the U.S. economic cycle progresses.

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Monthly Performance

Anchor Small Cap Value (gross of fees):

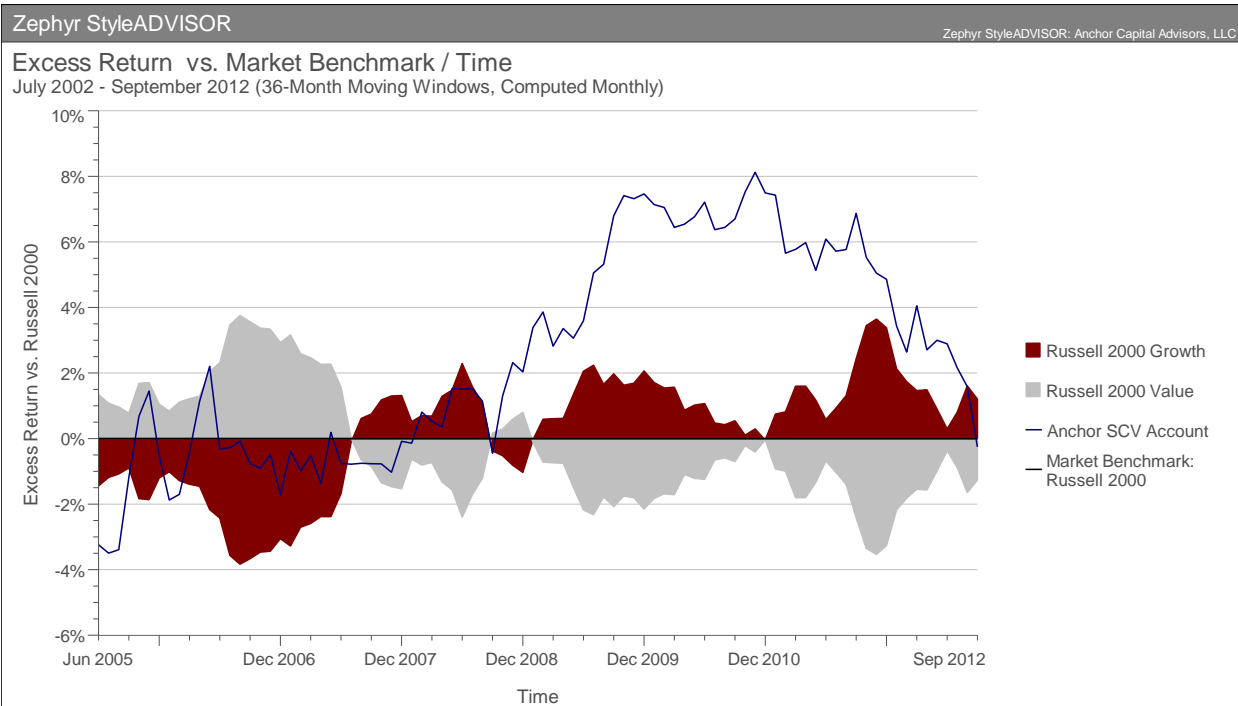
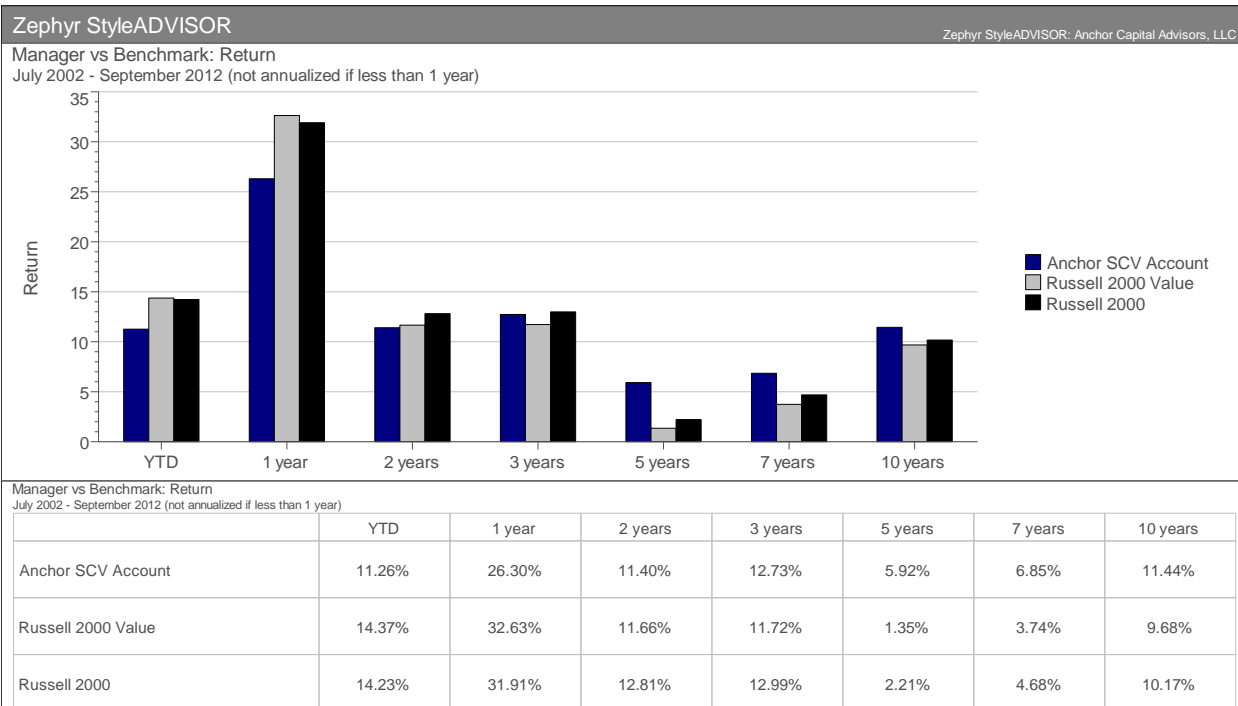
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	6.30	2.76	2.90	-1.75	-6.06	2.99	-0.70	2.27	2.54				11.26
2011	-0.04	2.54	3.73	2.35	-1.49	-1.32	-4.13	-6.88	-9.85	14.27	0.52	-1.17	-3.35
2010	-3.57	4.41	6.02	5.19	-5.64	-6.66	6.52	-7.02	12.14	4.08	3.24	7.40	26.75
2009	-8.07	-9.87	5.66	18.43	2.65	-0.11	12.20	3.35	10.18	-5.53	3.16	7.86	42.79
2008	-6.01	-1.36	1.33	3.25	7.06	-8.85	3.77	4.83	-9.61	-16.82	-9.49	4.15	-27.03
2007	2.38	-0.25	1.33	1.30	4.75	-2.08	-3.89	1.83	1.31	0.52	-8.23	1.74	0.06
2006	7.17	0.13	5.62	1.22	-4.75	-2.57	-4.86	2.62	0.79	4.31	2.98	0.27	12.84
2005	-3.18	1.38	-1.18	-6.07	5.58	2.45	6.31	0.46	3.12	-3.57	3.87	-0.98	7.66
2004	1.45	3.10	-0.07	-3.47	-1.85	6.19	-3.72	-1.03	4.33	-0.35	8.33	2.09	15.20
2003	-1.27	-3.07	-1.03	6.85	8.66	4.96	4.42	3.70	-0.13	7.34	2.78	5.32	44.99
2002							-15.12	1.87	-9.83	-1.86	5.85	-1.37	-20.11

Russell 2000 Value:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	6.65	1.49	3.10	-1.45	-6.11	4.82	-1.02	3.08	3.56				14.37
2011	0.05	5.08	1.39	1.62	-1.79	-2.46	-3.31	-8.83	-10.92	14.41	-0.20	1.56	-5.50
2010	-2.93	4.64	8.32	7.00	-8.45	-8.73	7.14	-7.52	10.74	3.87	2.54	8.31	24.50
2009	-14.28	-13.89	8.88	15.87	2.16	-0.32	11.56	4.73	5.02	-6.64	3.18	7.57	20.58
2008	-4.10	-3.97	1.51	3.16	3.42	-9.60	5.13	4.75	-4.69	-19.98	-11.58	6.15	-28.92
2007	1.50	-1.23	1.21	1.04	3.67	-2.33	-8.51	2.00	0.45	1.09	-7.49	-0.85	-9.78
2006	8.27	-0.01	4.84	0.27	-4.14	1.23	-1.39	2.99	0.98	5.09	2.85	0.87	23.48
2005	-3.87	1.99	-2.06	-5.16	6.10	4.42	5.69	-2.30	-0.17	-2.51	4.06	-0.77	4.71
2004	3.46	1.94	1.38	-5.17	1.21	5.08	-4.60	0.98	3.96	1.55	8.87	2.39	22.25
2003	-2.82	-3.36	1.07	9.50	10.21	1.69	4.99	3.80	-1.15	8.15	3.84	3.62	46.03
2002							-14.86	-0.44	-7.14	1.50	7.98	-4.27	-17.42



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Performance - Selected Regimes

Period	Dates	Anchor Small Cap Value	Russell 2000	Russell 2000 Value	S&P 500
Credit Crunch and Panic	1/2008 - 2/2009	-35.03%	-43.19%	-42.48%	-43.33%
Recovery	3/2009 - 4/2011	49.12%	46.56%	43.99%	35.76%
US Government Downgrade	5/2011 - 8/2011	-13.21%	-15.64%	-15.55%	-9.93%
Year to Date	1/2012 - 9/2012	11.26%	14.23%	14.37%	16.44%
Inception of Strategy (Period)	7/2002 - 9/2012	230.40%	207.09%	198.31%	178.81%
Inception of Strategy (Annualized)	7/2002 - 9/2012	8.48%	7.36%	6.91%	5.83%



Anchor Small Cap Value and SMID Cap Value 3Q 2012 Investment Review

Monthly Performance

Anchor SMID Cap Value (gross of fees):

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	6.23	2.18	2.91	-1.51	-6.03	3.01	0.12	2.22	2.73				11.97
2011	0.33	3.07	3.54	2.22	-1.51	-1.05	-4.09	-6.91	-9.87	13.40	0.51	-1.06	-3.20
2010	-3.61	4.17	6.60	4.86	-5.92	-6.80	6.79	-6.21	11.48	3.88	3.39	6.97	26.23
2009	-8.37	-11.21	6.90	18.08	3.19	0.36	11.79	3.53	10.55	-5.36	3.41	7.61	43.30
2008	-6.90	-1.74	1.38	3.30	6.94	-8.64	3.51	3.52	-10.43	-17.78	-10.38	4.81	-30.61
2007	2.05	-0.22	1.19	2.01	5.19	-1.85	-3.59	2.13	1.77	1.20	-7.92	2.16	3.50
2006	7.55	-0.66	5.10	1.35	-4.88	-2.56	-4.34	2.37	0.82	4.62	2.94	0.45	12.67
2005	-2.58	2.09	-0.73	-5.97	5.16	2.14	6.26	0.75	2.78	-3.47	3.56	-0.39	9.28
2004	-0.20	3.24	0.33	-3.27	-1.79	5.17	-3.19	-0.31	4.52	-0.33	7.05	2.43	13.87

Russell 2500 Value:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	5.69	2.89	2.55	-0.61	-6.18	4.00	-0.43	3.38	2.83				14.47
2011	1.53	4.34	1.64	2.33	-1.17	-2.57	-3.74	-8.18	-10.73	13.92	-0.23	1.57	-3.36
2010	-2.67	4.87	7.35	5.81	-8.00	-7.71	7.36	-5.55	9.86	3.90	1.74	7.70	24.82
2009	-11.67	-12.87	8.73	15.95	2.50	-0.07	10.20	5.95	5.15	-6.04	4.32	6.77	27.68
2008	-3.56	-3.62	-0.18	4.62	4.13	-9.34	1.77	4.04	-6.70	-20.65	-10.46	5.75	-31.99
2007	2.23	-0.23	1.07	2.09	3.56	-2.66	-7.49	0.51	1.04	0.69	-6.41	-1.28	-7.27
2006	6.58	0.13	3.51	0.40	-3.46	0.57	-1.39	2.66	1.02	4.69	3.13	1.10	20.18
2005	-3.22	2.50	-1.34	-3.74	5.55	3.67	5.36	-1.82	0.11	-2.95	4.10	-0.10	7.74
2004	3.24	2.03	0.80	-5.24	2.01	3.97	-4.03	1.26	3.16	1.81	8.18	3.18	21.58



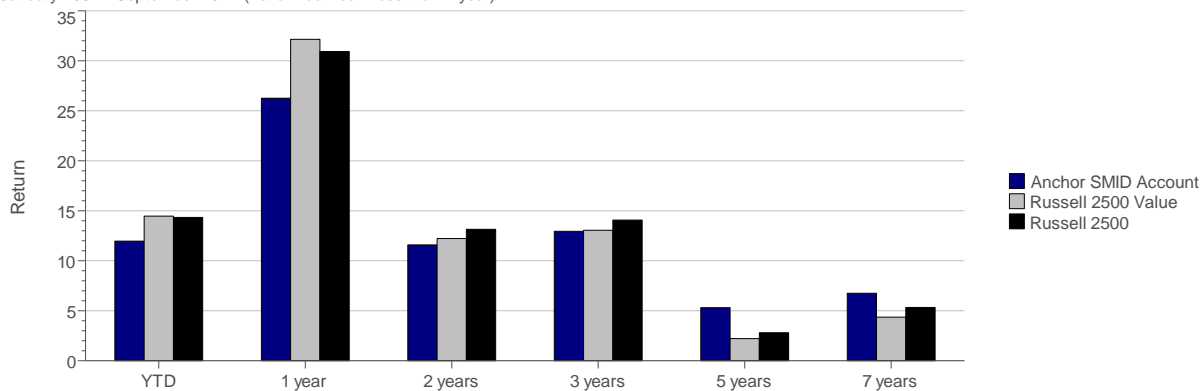
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Zephyr StyleADVISOR

Zephyr StyleADVISOR: Anchor Capital Advisors, LLC

Manager vs Benchmark: Return

January 2004 - September 2012 (not annualized if less than 1 year)



Manager vs Benchmark: Return

January 2004 - September 2012 (not annualized if less than 1 year)

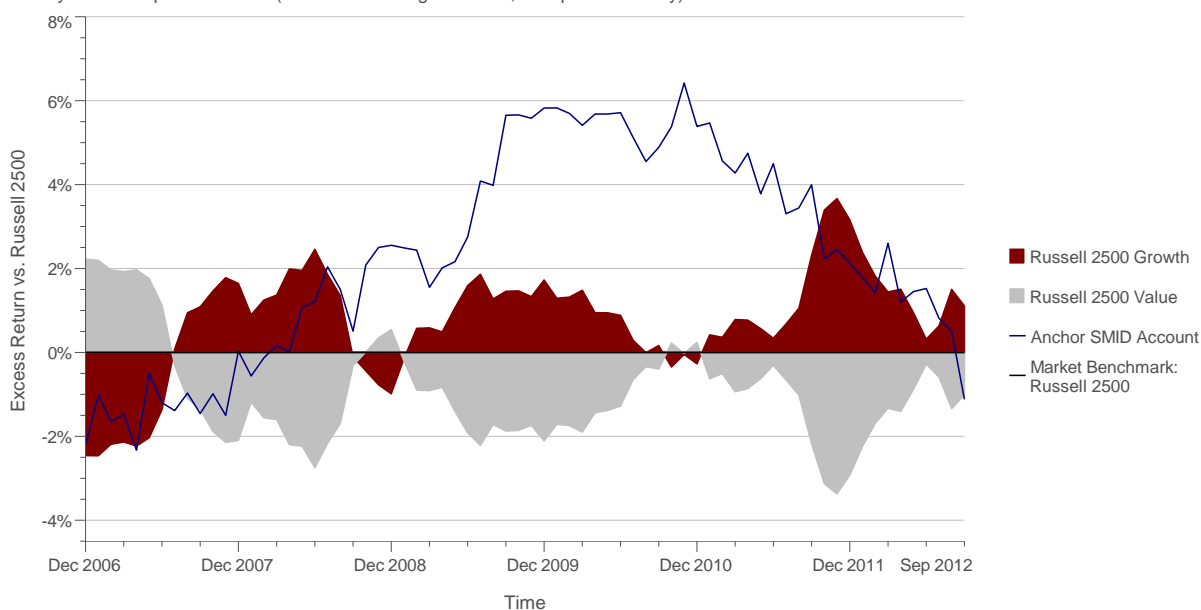
	YTD	1 year	2 years	3 years	5 years	7 years
Anchor SMID Account	11.97%	26.26%	11.58%	12.95%	5.31%	6.75%
Russell 2500 Value	14.47%	32.15%	12.22%	13.05%	2.21%	4.36%
Russell 2500	14.33%	30.93%	13.15%	14.07%	2.80%	5.33%

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Anchor Capital Advisors, LLC

Excess Return vs. Market Benchmark / Time

January 2004 - September 2012 (36-Month Moving Windows, Computed Monthly)





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Performance - Selected Regimes

Period	Dates	Anchor SMID Cap Value	Russell 2500	Russell 2500 Value	S&P 500
Credit Crunch and Panic	1/2008 - 2/2009	-38.88%	-43.70%	-42.72%	-43.33%
Recovery	3/2009 - 4/2011	50.73%	48.30%	46.39%	35.76%
US Government Downgrade	5/2011 - 8/2011	-12.99%	-14.66%	-14.90%	-9.93%
Year to Date	1/2012 - 9/2012	11.97%	14.33%	14.47%	16.44%
Inception of Strategy (Period)	1/2004 - 9/2012	197.35%	180.69%	175.02%	154.90%
Inception of Strategy (Annualized)	1/2004 - 9/2012	8.08%	7.00%	6.61%	5.13%